

Financial Management Controls

This section of the Management's Discussion and Analysis (MD&A) provides information on the USDA Forest Service's compliance with the:

- Federal Managers' Financial Integrity Act (FMFIA);
- Inspector General Act Amendments (Audit Followup); and
- Federal Financial Management Improvement Act (FFMIA).

Financial Systems and Controls

The FMFIA requires agencies to annually provide a statement of assurance regarding the effectiveness of management, administrative and accounting controls, and financial management systems.

The USDA Forest Service believes that maintaining integrity and accountability in all programs and operations is critical for good government; demonstrates responsible stewardship over assets and resources entrusted to our care; ensures high-quality, responsible leadership; ensures the sound delivery of services to our customers; and maximizes desired program outcomes.

New efforts are under way to improve timely implementation and closure of audit recommendations. For FY 2002, the USDA Forest Service is reporting two new material weaknesses, Financial Management Internal Control and Computer Security, and updating the status of four open material weaknesses under Section Two of FMFIA. The USDA Forest Service is requesting closure of three material weaknesses and one financial system nonconformance.

The following table shows significant progress by the USDA Forest Service in aggressively pursuing initiatives to fully integrate the accounting system, link all financial systems electronically, and provide data integrity and consistency.

Management Controls: Federal Managers' Financial Integrity Act	
Section Two Material Weaknesses	Correction Date
Timber Sale Administration	Requesting closure in FY 2003
Financial System	Completion of all corrective actions in FY 2003
Special Use Permits	Published its Categorical Exclusions Regulation for Special Uses Actions in the Federal Register for notice and comments; Completion of all corrective actions in FY 2003
Personal Property	Requesting closure in FY 2003
Contracting	Requesting closure in FY 2003
Performance Reporting	New measures implemented in FY 2002; Completion of all corrective actions in FY 2004
Timber Sale Environmental Analysis	Developed an Administrative Control Plan in FY 2001; Completion of all corrective actions in FY 2004
Financial Management Internal Controls	Completion of corrective actions in FY 2003
Computer Security	Completion of corrective actions in FY 2003
Section Four System Nonconformances	Correction Date
Real Property Management Information System	Requesting Closure in FY 2003

**Management Followup
to OIG/GAO
Recommendations**

The USDA Forest Service continues to resolve open audit recommendations. As of September 30, 2002, the USDA Forest Service has 28 audits with 139 open recommendations that are 1 year old and older.

Financial Management

The USDA Forest Service has aggressively acted to correct the agency's financial systems, thereby improving the quality of financial data. FY 2002 marks the third year using the Foundation Financial Information System (FFIS), which is fully compliant with Federal financial requirements and incorporates the U.S. Standard General Ledger.

**Federal Financial
Management
Improvement Act
Compliance**

The FFMIA of 1996 requires that Federal agencies use the U.S. Standard General Ledger, comply with Federal accounting standards, and establish financial management systems that support full disclosure of financial data, including the full cost of Federal programs and activities. If an agency is not in compliance with these requirements, the FFMIA requires that the agency head establish a remediation plan to bring the agency's financial management systems into substantial compliance.

**FY 2002 Remediation
Plan**

For FY 2001, the Office of Inspector General (OIG) reported in its opinion of the USDA Forest Service's financial statements that the agency's financial management systems were in noncompliance in the areas listed in the following table:

FFMIA Requirement	Area of Noncompliance	Target Completion Date
1. All feeder systems are integrated or electronically interfaced with the core financial system.	1. INFRA Real Property sub-system is not interfaced with the FFIS.	TARGET COMPLETED
2. Internal controls over data entry, transaction processing, and reporting shall be applied consistently throughout the system to ensure the validity of information and the protection of Federal Government resources.	2.a. General ledger adjustments were made so that FFIS account balances would agree with Treasury records.	December 31, 2002
	2.b. Inaccurate posting models, which were established by the USDA Office of the Chief Financial Officer Associate CFO for Financial Systems, resulted in erroneous general ledger account balances.	TARGET COMPLETED
	2.c. Invalid obligations and payables were entered into FFIS.	TARGET COMPLETED

FFMIA Requirement	Area of Noncompliance	Target Completion Date
2. (Continued)	Audit trails and support for billings and receivables are inadequate. Field units did not obtain monthly listings to verify the accuracy and validity of accounts receivable. Amounts were reported as accounts receivable even though not valid. Some accounts receivable transactions were duplicated.	TARGET COMPLETED
3. Agency financial management systems shall enable the agency to prepare, execute, and report on the agency's budget in accordance with OMB Circulars A-11, A-34, and other OMB circulars and bulletins.	3. USDA Forest Service violated the Anti-Deficiency Act in FY 2000 by overobligating Wildland Fire Management appropriations.	TARGET COMPLETED
4. Adequate training and user support shall be provided to the users of financial management systems.	4. USDA Forest Service users lacked specific training on setting up agreements in the Project Cost Accounting System and in processing billings and advance liquidation documents.	December 31, 2002
5. Financial management systems shall provide financial reports in a timely and useful fashion.	5. USDA Forest Service should develop and utilize monthly reports, which are more helpful to field units.	TARGET COMPLETED

FY 2003 Remediation Plan

At the time this section of the report was finalized, the FY 2002 auditor's opinion has not been issued. No material weaknesses, reportable conditions, or issues of noncompliance have been identified, so the USDA Forest Service's remediation plan is pending. When the auditor's report is issued, it will be included in the *Report of the Forest Service* as Appendix B.

Limitations of Financial Statements

Pursuant to the requirements of the Chief Financial Officer's Act of 1990, as amended by the Government Performance and Results Act, the USDA Forest Service prepared financial statements to report the financial position and results of USDA Forest Service operations. The FY 2002 financial statements consist of the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Change in Net Position, Combined Statement of Budgetary Resources, Consolidated Statement of Financing, Required Supplementary Stewardship Information, and Required Supplementary Information.

The following limitations apply to the preparation of the FY 2002 financial statements:

- The USDA Forest Service prepared the financial statements to report the financial position and results of operations of the organization, pursuant to the requirements of 31 U.S.C. 3515 (b).
- While the agency prepared the statements from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation. Payment of all liabilities other than for contracts can be abrogated by the sovereign entity.